



# FIRST NATIONS DEVELOPMENT INSTITUTE

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April 7, 1999

Mr. Roger Bezdek  
Senior Advisor for Fiscal Management  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, N.W.  
Washington, D.C. 20220

Dear Mr. Bezdek,

## **Re: Notice of Proposed Rulemaking Regarding Payment Service Providers**

Thank you for the opportunity to comment on regulation of arrangements between financial institutions and payment service providers.

We oppose access of payment service providers (including check-cashing services) to federal payments deposited in mainstream financial institutions. We are concerned about the possibility of excessive fees; that recipients of federal payments might lose consumer protections (federal deposit insurance); and that recipients have to withdraw their entire federal check (implying that the recipient does not, in fact, have an "account" with the financial institution linked to the payment service provider). In its request for comments, Treasury already provides examples of abuses by payments service providers, including usurious "payday loans."

We urge Treasury to maximize its efforts to facilitate access to federal EFT payments in areas underserved by mainstream financial institutions. For example, we would strongly support efforts by Treasury to facilitate the placement of ATMs—and even direct banking services—in Post Offices and grocery stores nationwide. Given the widespread location of these outlets, they form an ideal vehicle for reaching areas that are underserved by financial institutions, including low- and moderate-income and remote and rural regions, such as Indian Country.

At the same time, we are forced to recognize that payment service providers are sometimes the only institutions providing any financial services in parts of Indian Country. Thus, while we would favor Treasury generally prohibiting arrangements between financial institutions and payment service providers, we do not wish to preclude such arrangements across the board. But if these providers are to be given any access at all to federal EFT payments, the terms of such access must be judiciously regulated and strictly controlled (including the enactment of additional state or federal legislation regulating payment service providers). At a minimum, Treasury must determine a "reasonable cost" for a financial institution account, stipulate that a financial institution must at least provide its recipients with federal deposit insurance, and impose enhanced disclosure requirements. All

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regulations should be addressed to all payment service providers, rather than a subset, to ensure that there are no loopholes in a strict federal regulatory regime. Only then can we be confident that payment service providers will in fact serve the needs of tribal communities.

If you require any further clarification of our position, we would be glad to provide you with more information

Sincerely,

A handwritten signature in black ink, appearing to read 'Joseph Getch', written in a cursive style.

Joseph Getch  
Chief Operating Officer